In the Matter of	)		
	)		
LEVEL 3 COMMUNICATIONS, LLC	)		
	)	Docket No	
Petition for Declaratory Ruling that Certain	)		
Right-of-Way Rents Imposed by the New	)		
York State Thruway Authority Are	)		
Preempted Under Section 253	)		

#### DECLARATION OF STEVE GORDON IN SUPPORT OF PETITION FOR DECLARATORY RULING THAT CERTAIN RIGHT-OF-WAY RENTS IMPOSED BY THE NEW YORK STATE THRUWAY AUTHORITY ARE PREEMPTED UNDER SECTION 253

- I, Steve Gordon, declare under penalty of perjury as follows:
- 1. I am currently the Senior Director of Network Infrastructure Services within Level 3's Planning & Deployment organization. My current responsibilities include oversight of acquisition and contract management of all rights-of-way agreements, building access agreements, and 3<sup>rd</sup> party fiber and conduit agreements for Level 3 within North America. I also have responsibility for outside plant network relocations; management of OSP planning; and project management of outside plant construction for all new construction for Level 3 in North America. I started at Level 3 in 1998 as a Network Developer, and was subsequently promoted to Senior Network Developer and then Director of Network Development. My role has continued to evolve and expand over the years to the position I currently hold. Prior to joining Level 3, I was employed by the Southern Pacific Railroad within their Real Estate Development and Property Management group. My background is in real estate and right-of-way contract negotiation, contract management, and valuation. I hold Bachelor of Science Degree in Finance/Real Estate from the University of Nebraska.
- 2. Like many highways and other transportation corridors, the New York State Thruway Authority ("NYSTA") route is a natural path along which to lay conduits for fiber-optic networks. As long as communications companies can connect to the backbone network running along its length, backbone networks constructed along the Thruway have great potential to provide high-capacity fiber-optic capacity to the communities that lie along its route.
- 3. Prevailing rates for communications rights-of-way typically range from \$0.50 to \$2.00 per linear foot annually, depending on a variety of factors (such as location, physical terrain, and the costs that the permit would impose on the holder of the right-of-way), although some state and local entities do not charge an annual fee at all.

- 4. Based on a review of the drawings attached to each Occupancy Permit for POP and regeneration connections to the "Backbone Network" owned by Level 3 Communications, LLC ("Level 3"), Level 3 actually uses approximately 1941 linear feet of NYSTA right-of-way cumulatively for all of the seventeen connections to the Backbone Network at issue in Level 3's petition. NYSTA's 2008 rent invoice to Level 3 for these seventeen connections totaled \$706,467.88, which amounts to approximately \$364 per linear foot. Level 3's North American network is currently 91,668 miles long (including both leased and owned segments). Of that total, portions owned by Level 3 covering approximately 35,000 miles (or 184,800,000 linear feet) are constructed along public rights-of-way. If the public right-of-way providers applied the average NYSTA rate of \$364 per foot to those portions of the network, Level 3's annual rent for access to these rights-of-ways alone would total \$67,267,200,000. That amount would dwarf Level 3's revenues from network operations and force it to significantly curtail or eliminate significant portions of its business operations. In fact, imposing \$67 billion in rent costs on a company with annual revenues from North American network operations of approximately \$4 billion would force Level 3 to close its doors immediately.
- 5. On average, Level 3 has only consumed (lit or sold) approximately 62 percent of the fibers installed in each of the seventeen access connections at issue. The original Williams laterals were multi-conduit systems constructed for "Day 1" requirements and expected future expansion, with either a 96-count or 120-count fiber cable installed. Subsequent to this "Day 1" installation, Williams has not increased its fiber capacity within these laterals.
- 6. Level 3, which acquired Williams' successor and the Backbone Network in November 2005, is now the most significant communications facilities owner along the NYSTA right-of-way, owning or leasing at this point more than 200 fibers and one vacant conduit along the Thruway right-of-way. Level 3 currently delivers its full suite of services over the Backbone Network, including a variety of telecommunications services such as private line service, voice service, and others.
- 7. Level 3's entire network in North America is approximately 91,668 miles in length (including portions that Level 3 owns and portions it leases). In 2008, Level 3 generated approximately \$3.9 billion in revenue related to its North American network, and Level 3's "cost of revenue" in North America (i.e., the amounts that Level 3 paid to acquire services from other carriers for "off-net" services) was approximately \$1.68 billion. As a result, the North American revenue attributable to "on-net" services generated by Level 3 in 2008 was approximately \$2 billion.
- 8. On average, therefore, Level 3's 2008 revenue per linear foot of network operated by Level 3 it was approximately \$4.59 (\$2.22 billion ÷ 91,668 miles ÷ 5,280 (feet per mile) = \$4.59).
- 9. One of the exhibits to Level 3's petition contains a summary of the key terms of the occupancy permits and riders for the seventeen access connections at issue. The 2008-09 rent figures identified in that exhibit reflect the most recent rent invoices that NYSTA has issued to Level 3. The right-of-way lengths identified in that exhibit and in the petition itself have been calculated from site drawings prepared by Adesta and NYSTA.

I declare under penalty of perjury that the foregoing is true and correct.

Steve Gordon

Senior Director of Network Infrastructure Service

Level 3 Communications, LLC

1025 Eldorado Blvd

Broomfield, CO 80020

Executed on July 9, 2009.

In the Matter of	)		
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LEVEL 3 COMMUNICATIONS, LLC	)		
	)	Docket No.	
Petition for Declaratory Ruling that Certain	)	<del>_</del>	
Right-of-Way Rents Imposed by the New	)		
York State Thruway Authority Are	)		
Preempted Under Section 253	Ś		

#### DECLARATION OF TIM ELBERT IN SUPPORT OF PETITION FOR DECLARATORY RULING THAT CERTAIN RIGHT-OF-WAY RENTS IMPOSED BY THE NEW YORK STATE THRUWAY AUTHORITY ARE PREEMPTED UNDER SECTION 253

- I, Tim Elbert, declare under penalty of perjury as follows:
- 1. I am currently employed as a Vice President for Field Operations for Level 3 Communications, LLC ("Level 3"), and was employed with Williams Communication, Inc. ("Williams") during 1999-2000. I was involved in the negotiation of the On-NYSTA User Agreement, and acted as Director, Lands and Records for Williams. In this position I managed the rights-of-way and permitting efforts for the Williams's nationwide fiber build, including route development and feasibility groups, rights-of-way acquisition groups, environmental permitting groups and the "Property Administration" group.
- 2. I am familiar with the "User Agreement for Innerduct and Dark Fiber" (the "On-NYSTA User Agreement") between Williams and MFS Network Technologies, Inc. (now known as Adesta, Inc.) ("Adesta") dated as of April 12, 1999. I am also familiar with, and was involved in, Williams's efforts to secure additional interconnection points to the "Backbone Network" purchased by Williams under that agreement.
- 3. The high-capacity fiber-optic network acquired by Williams from Adesta covers approximately 520 miles on New York State Thruway ("NYSTA") rights-of-way, running nearly the complete length of the New York State Thruway from Yonkers to the Pennsylvania state line.
- At the time that Williams executed the agreement with Adesta for the Backbone Network, Williams also executed a separate agreement for "Off-NYSTA" segments of the network, and paid Adesta approximately \$12 million for such network assets. The network covered by the Off-NYSTA User Agreement was to connect to the Backbone Network deployed under the On-NYSTA User Agreement, and thus both agreements were necessary in order for Williams to have a fully-functioning network. If Williams could not use the On-NYSTA Backbone Network, the Off-NYSTA network to which it was connected would not have value.

- 5. At the time the On-NYSTA User Agreement was signed, Adesta had already sold fiber within the Backbone Network to various third parties, and much of the network was complete. NYSTA approved of the form, content and execution of the agreement between Adesta and Williams.
- 6. Even during negotiations of the On-NYSTA User Agreement, Williams believed that it would need additional interconnection points in order to operate the Backbone Network for its intended purposes, and Williams had commenced plans to acquire rights in real estate adjacent to the NYSTA right-of-way for the placement of "regeneration" facilities that would be used to regenerate the optical signals along the Backbone Network. Because Williams was one of the last to purchase fiber optic and conduit capacity along the Backbone Network, and because Williams planned to install a high fiber-count (96 fibers) fiber optic cable within the conduit that it had acquired, Williams (and Williams's customers) needed more space and power in the regeneration facilities than was available from Adesta on the NYSTA right-of-way.
- 7. Williams determined that the most efficient architecture for the Backbone Network required the addition of 13 regeneration sites along the Backbone Network. Williams's technical team believed that, without the additional regeneration connections, the \$31-million Backbone Network was technically unusable for Williams's intended purposes. In addition, Williams had concluded based on its interaction with NYSTA and Adesta that it would have far more operational flexibility, including room for expansion to allow delivery of higher quality and speed services to customers, if it had additional space off of the NSYTA right-of-way for the operation of its regeneration facilities.
- 8. Williams also recognized that it would also need to connect the Backbone Network to additional points-of-presence ("POPs") to serve certain customers and markets along the backbone route efficiently. Without such connections, it would have been commercially infeasible for Williams to provide services even to many customers located near the Backbone Network, as Williams would have had to forego use of its own fibers, which it paid more than \$31 million to acquire and install. Williams's dark fiber customers required these POPs in order to deliver services to their customers.
- 9. If Williams was unable to access the Backbone Network for customer POPs, Williams or its customers would have been forced to purchase intermediate or long-haul off-net circuits or fiber from incumbent carriers to bridge the gap between a particular location and the closest existing access point on the Backbone Network. Because Williams was a competitive carrier offering services that compete largely with the incumbent carriers based on price (and because Level 3 is such a competitive carrier today), forcing Williams (and now Level 3) to purchase from the incumbent rather than connecting to its own more cost-effective fiber assets would have created a material barrier to Williams's (and now Level 3's) ability to compete and deliver services in those areas.
- 10. After execution of the agreements with Adesta, Williams began the process of acquiring sites for the construction of its regeneration facilities in areas which were adjacent to but off of the NYSTA right-or-way, including discussions with NYSTA about sites owned by it which it

might be willing to lease to Williams. Although Williams believed that the On-NYSTA User Agreement authorized these additional connections, Adesta advised Williams that NYSTA stated that it would require Williams to obtain separate Occupancy Permits from NYSTA to obtain these additional connections to its Backbone Network.

- 11. In September 1999, MFS Network Technologies delivered to NYSTA a letter listing the interconnection points that Williams desired. In a meeting in October, 1999, NYSTA informed Williams directly that additional compensation would have to be paid to NYSTA in order to use the NYSTA rights-of-way to complete these connections. NYSTA officials knew that Williams had sunk more than \$31 million in the Backbone Network and, based on discussions with Williams personnel, they also knew that Williams would be unable to operate the Backbone Network as it had planned without the additional connections.
- 12. While Williams believed that the demands for compensation from NYSTA were unreasonable, Williams had few options available to it to challenge NYSTA's demands. Fiber installation along the Backbone Network had been largely completed, and the largest remaining obstacle to Williams's use of the Backbone Network and the Off-NYSTA network was the completion of regeneration and POP connections. In Williams's business judgment, pursuing litigation against NYSTA and Adesta in order to compel access to the NYSTA rights-of-way or delivery of the interconnection facilities was unlikely to allow Williams to meet its customers' requirements, and might result in stranding more than \$40 million in invested capital (representing Williams's costs for both the On-NYSTA and Off-NYSTA Backbone Networks) for years while the parties pursued a decision in the courts.
- 13. After more than a year of negotiations while NYSTA held the network hostage, Williams gave in, agreed to NYSTA's exorbitant demands, and executed Occupancy Permits authorizing the use of rights-of-way for seventeen additional connections.

I declare under penalty of perjury that the foregoing is true and correct.

Tim Elbert

Vice President, Field Operations Level 3 Communications, LLC

1025 Eldorado Blvd

Broomfield, CO 80020

Executed on July 2, 2009.

In the Matter of	)	
LEVEL 3 COMMUNICATIONS, LLC	)	5 1 12
Petition for Declaratory Ruling that Certain	)	Docket No.
Right-of-Way Rents Imposed by the New	)	
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Preempted Under Section 253	À	

# DECLARATION OF JEFF ARY IN SUPPORT OF PETITION FOR DECLARATORY RULING THAT CERTAIN RIGHT-OF-WAY RENTS IMPOSED BY THE NEW YORK STATE THRUWAY AUTHORITY ARE PREEMPTED UNDER SECTION 253

I, Jeff Ary, declare under penalty of perjury as follows:

- 1. I worked for Williams Communications, Inc. ("Williams") starting in 1999 in the Fiber and Engineering Services Organization with responsibilities for right-of-way acquisition and construction of the Williams network. After Level 3 Communications, LLC ("Level 3") purchased WilTel Communications, I transitioned to Level 3 in our Product Management Group responsible for Dark Fiber, in-line amplification facility Colocation, Professional Services and Network Development groups. Currently our Dark Fiber and Network Development groups are two of the organizations responsible for the management and expansion of our fiber-based assets.
- 2. I am familiar with the network assets (the "Backbone Network") owned and operated by Level 3 which are located along the New York State Thruway Authority ("NYSTA") rights-of-way. Like most of its long-haul fiber optic network assets, Level 3 has the capability to use the NYSTA Backbone Network to connect retail Internet service providers and other telecommunications and enhanced service carriers to the worldwide Internet via high speed dedicated private line services or long term capacity lease arrangements. In order to effectively use Level 3's long-haul fiber optic network assets to connect such entities to the Internet, Level 3 must be able to efficiently and cost effectively interconnect to its network at technically feasible access points.
- 3. As a result of various acquisitions by Level 3 over the last 7 years, Level 3 operates three Backbone Networks within and along the NYSTA rights-of-way: (a) the Williams network; (b) a 90-count fiber optic cable which Level 3 acquired when it purchased Broadwing Communications and; (c) an indefeasible right to use ("IRU") 24 fibers it acquired when it purchased the assets of Genuity, Inc. Level 3 currently provides a variety of lit services to its customers over all 3 networks, including both the Broadwing and Genuity Backbone Networks.

With respect to the Broadwing and Genuity networks, all of the regeneration and optical amplification facilities are located within NYSTA rights-of-way.

- 4. I am familiar with the difficulties that Williams Communications, Inc. encountered in attempting to interconnect to the NYSTA Backbone Network. In the eight years since Williams signed the Riders authorizing the additional access connections, neither Williams nor Level B has, to my knowledge and after reasonable investigation, requested authorization for another interconnection point with respect to any of the Backbone Networks operated by Level 3 along the NYSTA rights-of-way.
- 5. I am familiar with the economics associated with constructing additional interconnection points to service new customers located along Level 3's long-haul fiber optic network. The capital costs to construct additional interconnection points can be high depending on a variety of factors, including the distance to the customer location, the topology and topography of the network to be constructed, and the costs associated with acquiring rights-of-way to construct such facilities. If Level 3 is forced to pay rent exceeding \$48,000 per year for the use of small lateral segments of NYSTA rights-of-way needed to complete such connections, the financial justification for any additional access points will not be satisfied, particularly for the un-served and under-served smaller communities that would not come close to generating revenues adequate to offset the rental cost.
- Level 3's "Extended On-Net" ("EON") project illustrates this impact. Level 3 recently launched the EON project to construct additional connection points to its long-haul networks throughout the United States. In connection with this initiative, Level 3 evaluated the feasibility of implementing EON capabilities along approximately 43 thousand miles of backbone networks across the country, classifying facilities as "green" (desirable for EON deployment), "yellow" (more difficult for EON deployment), or "red" (off the list of possible sites for EON deployment due to a variety of factors). All EON locations situated within the NYSTA rights-of-way (i.e., all of the Broadwing and Genuity Backbone Network facilities) have been classified as "red" due to a variety of factors, including NYSTA's rent demands, the time required to negotiate such rent and the difficulty of dealing with NYSTA and its exclusive contractor. In addition, without a more detailed site-by-site evaluation, we have classified all of the off-NYSTA facilities as "red" due to their close proximity to the NYSTA rights-of-way and the strong likelihood that Level 3 would have to work with NYSTA to acquire property rights for network crossings in order to effectively use any of these facilities for the delivery of traffic to customers. For example, if Level 3 determined to use any of those off-NYSTA facilities as a customer distribution point, Level 3 would in all likelihood want to reach customers on both sides of the NYSTA rights-ofway. In that instance, Level 3 would have to acquire property rights from NYSTA and it is unclear how NYSTA would treat such requests under its current policies. As a result, Level 3 currently does not plan to deploy EON capabilities anywhere along the NYSTA Backbone Network, resulting in lost business opportunities for Level 3, lost cost savings opportunities for the rural carriers that Level 3 could otherwise serve along the route, and fewer advanced broadband service offerings for consumers in those communities.

I declare under penalty of perjury that the foregoing is true and correct.

Senior Director, Product Management Level 3 Communications, LLC 1025 Eldorado Blvd Broomfield, CO 80020

Executed on July 15, 2009.

In the Matter of	)		
LEVEL 3 COMMUNICATIONS, LLC	)	Docket No.	
Petition for Declaratory Ruling that Certain	)	Docket 140	
Right-of-Way Rents Imposed by the New	)		
York State Thruway Authority Are	)		
Preempted Under Section 253	)		

# DECLARATION OF IKE ELLIOTT IN SUPPORT OF PETITION FOR DECLARATORY RULING THAT CERTAIN RIGHT-OF-WAY RENTS IMPOSED BY THE NEW YORK STATE THRUWAY AUTHORITY ARE PREEMPTED UNDER SECTION 253

I, Ike Elliott, declare under penalty of perjury as follows:

- 1. I am currently the Senior Director, Business Strategy at Level 3 Communications, LLC ("Level 3"). I am a 24-year telecom and technology veteran with engineering and executive experience at Level 3, Unity Business Networks, MCI, and Unisys. I have served in several engineering management roles at MCI, and I have held executive positions in engineering, product management, and corporate strategy at Level 3. I am named as an inventor on eighteen patents in the telecommunications field. I have earned a masters degree in Computer Science from Johns Hopkins University and a bachelor's degree in Computer Science from James Madison University.
- 2. I am familiar with, and as a part of my job responsibilities, periodically create and evaluate the economic modeling necessary to determine whether or when it makes good business sense for Level 3 to extend its fiber-optic network to service additional areas or customers. As a part of these responsibilities, I have been involved in evaluating the feasibility of fiber-optic network expansions that might qualify for funding under the American Recovery and Reinvestment Act of 2009 ("ARRA").
- 3. Level 3 has several potential opportunities to assist in the expansion of broadband capabilities within the United States. Level 3 could be a direct ARRA grantee or borrower or a contractor to a grantee in ARRA-funded projects by providing retail broadband providers with "middle-mile" transport services needed to connect their networks (and their subscribers) to the worldwide Internet. Many rural retail broadband providers have informed Level 3 that the lack of affordable "middle-mile" transport services is a significant obstacle to the expansion of retail broadband availability in un-served and underserved areas of the United States. Attached to this declaration as Attachment A is a copy of a press release issued by Level 3 and Open Range Communications which demonstrates our ability to provide such connections. Attached to this

declaration as Attachment B is a copy of a second press release issued by Level 3 and Ptimize, Inc. similarly demonstrating Level 3's capabilities.

- 4. In many instances, because of the small size of certain unserved or underserved communities, it is difficult to sustain the economic case for completing a network extension needed to deliver on-net services to broadband providers serving these areas. The presence of ARRA funding to cover a portion of the capital expenses can reduce the burden for the provider, although the economic case for such deployments, in many cases, remains marginal. Even assuming the presence of ARRA funding, steep incremental recurring costs and operating costs (which are not eligible for ARRA funding) can push projects beyond the brink of economic feasibility.
- 5. In connection with possible expansion along the New York State Thruway ("NYSTA") network owned and operated by Level 3 (the "Backbone Network"), I have evaluated the economic feasibility of constructing fiber-optic network extensions to provide service to smaller rural communities located along the Backbone Network. In this regard and as one representative example, I have evaluated the economic feasibility (assuming ARRA stimulus money is available to cover up-front capital expenses) of constructing fiber extensions to reach various rural communities as depicted in Attachment C attached hereto. I evaluated the economic feasibility by looking at the economics associated with the build over a three-year term.
- 6. Based on our experience as a network operator, I estimate that the capital costs for construction of the network extension reflected in Attachment C would be approximately \$7.2 million. In addition, based on our experience as a network operator and assuming reasonable payments to providers of public rights-of-way. I estimate that the incremental operating expenses associated with operating the extension depicted in Attachment C would be \$205,000 per year. If ARRA funds were available to offset up to 80% of the capital costs to construct the network extension, and if operating costs were as projected above, the business case for expanding the network as depicted in Attachment C appears reasonable. If, on the other hand, NYSTA charged rent of \$48,000 per year for each of the 2 connections to the Backbone Network depicted on Attachment C (totaling \$96,000 per year for the two connections combined, with future adjustments year over year for inflation), such charges would make it financially unattractive for Level 3 or any other carrier to pursue the network extensions. Imposing such rents for the use of relatively small sections of rights-of-way effectively increases the ongoing anticipated operating expense for the project by 47%. The same reasoning applies to other small community connection opportunities along the NYSTA rights-of-way, namely that in most (if not all) instances the additional \$48,000 rent charge per year per connection would make the construction of extensions off of the Backbone Network difficult to financially justify.

I declare under penalty of perjury that the foregoing is true and correct.

Ike Elliott

Senior Director, Business Strategy Level 3 Communications, Inc.

1025 Eldorado Blvd

Broomfield, CO 80020

Executed on July 22, 2009.

#### Attachment A Open Range Press Release



#### **Press Release**

Open Range Teams With Level 3 to Deliver Wireless Broadband to Rural America

PRNewswire BROOMFIELD, Colo.

Level 3 Expands Network Access Across North America to Close the Digital Divide

BROOMFIELD, Colo., April 1 /PRNewswire-FirstCall/ -- Level 3 Communications, Inc. today announced an agreement with Open Range Communications to deliver wireless broadband to rural communities. Open Range will leverage Level 3's extended on-net services to offer high-speed Internet and voice services to millions of previously un-served or underserved communities across North America.

Extended on-net services provide access to the Level 3 network in rural locations along the 42,000 route miles that span North America. Direct access to the network outside of major metropolitan markets enables Level 3 to pick-up or deliver traffic at more locations, providing local carriers, cable operators and wireless companies with additional on-ramps to the Level 3 network.

"The Level 3 network travels through many of the rural communities that we want to connect to the world with wireless broadband," said Bill Beans, Jr., chief executive officer and founder of Open Range. "Level 3's expansive network footprint and direct network access provide the foundation to enable Internet communications for more and more Americans."

Under the terms of the agreement, Level 3 will provide the network infrastructure for Open Range to offer wireless broadband through 4G WiMAX networks in more than 500 communities in 17 states. Traffic will then be routed over the Level 3 network to enable quality online communications for as many as six million Americans.

"Level 3 is pleased to partner with Open Range in this vital initiative to bring wireless broadband to rural America," said Peter Neill, senior vice president for Level 3's Wholesale Markets Group. "Access to broadband communications is an important economic tool at an important time in our nation's history. Level 3 is well positioned to partner with communications companies across the country to break down barriers to broadband access and close the digital divide."

Extended on-net services offer direct access to the Level 3 network and services across North America. Expanded access provides customers with greater routing flexibility, efficient network expansion, improved connectivity and reduced costs.

#### About Open Range

Open Range is a broadband wireless provider using WiMAX technology to deliver wireless broadband to un-served and underserved rural American communities. Open Range plans to deliver portable and eventually mobile voice and Internet services to customers within its robust WiMAX footprint. In January 2009, Open Range announced a \$100 million investment by One Equity Partners, the private equity arm of JPMorgan Chase and the closing of a Broadband Access Loan previously approved by the United States Department of Agriculture's Rural Development Utilities Program (RDUP) for \$267 million. The combined funding will allow Open Range to build 4G WiMAX networks in 546 communities in 17 states where the Company will offer high speed Internet and voice services to approximately six million people. For more information, visit <a href="https://www.openrangecomm.com">www.openrangecomm.com</a>.

#### **About Level 3 Communications**

Level 3 Communications, Inc. is a leading international provider of fiber-based communications services. Enterprise, content, wholesale and government customers rely on Level 3 to deliver services with an industry-leading combination of scalability and value over an end-to-end fiber network. Level 3 offers a portfolio of metro and long-haul services, including transport, data, Internet, content delivery and voice. For more information, visit <a href="https://www.level3.com">www.level3.com</a>.

#### Attachment B IPtimize Press Release

#### IPtimize Teams with Level 3 to Expand Network Services

Nationwide Network Footprint to Improve Broadband Access in Rural Areas

BROOMFIELD, Colo., April 27, 2009 Level 3 Communications, Inc. (NASDAQ: LVLT) today announced it has established a reseller agreement with IPtimize, Inc. to expand their network service offering to local cable operators. The agreement enables IPtimize to offer wholesale voice, data and Internet services in rural communities targeted for broadband access.

IPtimize will access the Level 3 network at transmission sites along the 42,000 route miles that span North America. Access to the Level 3 network outside major metropolitan markets enables IPtimize to offer an expanded portfolio of network services to local cable operators.

"Rural access to the Level 3 network opens new opportunities for IPtimize to bridge the gap between local cable companies and nationwide communications networks," said Mitch Garlock, vice president of global sales for IPtimize. "The Level 3 network offers an advantage in breaking down barriers to broadband access and improving competition, particularly in un-served or underserved communities."

Level 3 and IPtimize offer an alternative for local cable operators who often face steep costs to connect to nationwide networks. Network access outside major metropolitan markets increases routing options by offering more efficient and cost-effective delivery of communications traffic.

"Together, Level 3 and IPtimize can deliver high-quality communications services to customers in more remote locations," said Andrew Crouch, president of Level 3's Wholesale Markets Group. "Greater cooperation is changing the game in terms of improved access and competition in rural markets – a key priority to expand broadband nationwide."

Level 3's extended on-net capabilities offer an option to cable operators, wireless companies and local carriers as they consider their broadband access solutions for government financing under the American Recovery and Reinvestment Act of 2009, which includes the Broadband Technology Opportunities Program and other federal financing programs.

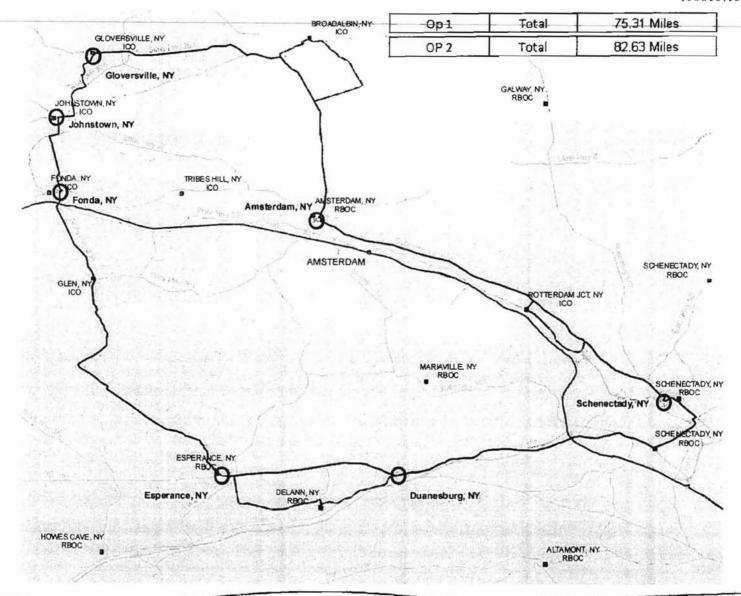
#### **About Level 3 Communications**

Level 3 Communications, Inc. (NASDAQ: LVLT) is a leading international provider of fiber-based communications services. Enterprise, content, wholesale and government customers rely on Level 3 to deliver services with an industry-leading combination of scalability and value over an end-to-end fiber network. Level 3 offers a portfolio of metro and long-haul services, including transport, data, Internet, content delivery and voice. For more information, visit <a href="https://www.Level3.com">www.Level3.com</a>.

#### Attachment C Schenectady Area Network Expansion

#### [See Attached Map]





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York State Thruway Authority Are	)		
Preempted Under Section 253	)		

# DECLARATION OF JEFFREY ALLEN IN SUPPORT OF PETITION FOR DECLARATORY RULING THAT CERTAIN RIGHT-OF-WAY RENTS IMPOSED BY THE NEW YORK STATE THRUWAY AUTHORITY ARE PREEMPTED UNDER SECTION 253

I, Jeffrey Allen, declare under penalty of perjury as follows:

- I am currently employed by Level 3 Communications, LLC ("Level 3") as Vice President of Offer Management for Business Markets and am responsible for driving overall sales and revenue for the business unit. Specifically, I have ownership of our Enterprise strategy, sponsorship of marketing initiatives, pricing, business development, transactional support and negotiation, and resource and capital allocation.
- 2. In my position, I am also responsible for the economic and business evaluation that Level 3 conducts when deciding whether to construct extensions to its existing network in order to serve additional end user buildings, traffic aggregation points, or new communities. Level 3 strongly prefers to serve its customers with "on-net" facilities as the delivery of our services over our own fiber optic network allows us to more effectively compete (based on price, quality of service and speed to market) against incumbent carriers. When possible, Level 3 attempts to leverage its existing fiber optic network in order to construct network extensions to additional communities, traffic aggregation points and end user buildings, as the cost of extension is dramatically lower if we can use existing nearby fiber optic network to service such locations.
- 3. In most instances, we encounter very little difficulty in obtaining governmental permits needed to complete interconnections to our existing infrastructure. Typically, we face costs associated with acquisition of state and private rights-of-way, obtaining building access agreements, obtaining material and labor needed for network installation, obtaining appropriate construction permits (including costs for restoration of public and private rights-of-way). If any one of these components is unavailable on commercially reasonable terms, a particular network expansion may be jeopardized.
- 4. I have been advised of the rent that the New York State Thruway Authority ("NYSTA") charges Level 3 for customer POP connections to the existing long-haul Level 3 "Backbone"

Network" constructed along NYSTA's rights-of-way. Based on NYSTA's past practice of assessing over \$48,000 per year for each customer POP connection to the Backbone Network, Level 3 has not and would not use the Backbone Network as a primary means to extend its network reach to other communities, traffic aggregation points and end user buildings located along the NYSTA rights-of-way.

- 5. One of Level 3's top corporate priorities for the next 5-10 years is to increase the geographic reach of our existing fiber optic network by expanding the network where it makes economic and business sense. On average, Level 3's capital costs for each expansion of our existing network is \$150,000 per site add. However, many enterprise end user buildings are in close proximity to our network and require much lower investment. Level 3's cash is tightly managed, and the size of our capital budget for network expansions on an annual basis is a direct function of the amount of cash the business generates. Every dollar of expense incurred by Level 3 reduces the capital budget available for network expansion. As a result, Level 3 is focused on eliminating or reducing unnecessary or unreasonable expenses, so that such funds can be used to augment our existing fiber optic network facilities and permit delivery of additional telecommunications and enhanced services to additional communities, traffic aggregation points and end user buildings.
- 6. Unreasonable rental or franchise fees for connections to our network have a dual negative effect on Level 3's ability to deliver telecommunications services: they siphon money away from incremental network expansion projects, and they discourage use of the existing network that is subject to the unreasonable fees. With respect to existing interconnections where Level 3 is receiving invoices for unreasonable rent payments, such fees sap capital away from Level 3's ability to expand its fiber optic network around the United States. I am familiar with the "rents" that NYSTA charges to Level 3 for the use of small interconnection segments of the NYSTA rights-of-way. Charges in excess of \$750,000 per year are material to Level 3's business plans, and those costs inhibit Level 3's ability to expand its network in other locations. If Level 3 had available to it the additional \$750,000 per year that is currently charged by NYSTA, such savings could be used to fully offset the capital expenses associated with the following network expansion projects:

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Entity Name	Ackress	City	State.	യ ച	Building Type	invest	ment 🎉
Susquehanna Insernational Group	175 W Jackson Boulevard	Chicago	it	CHCGILLE	Financial Services	6.	,000.00
Qual Med, PRWT Sivs, TIAA, Credit Suisse,		<u> </u>		_		$\vdash$	<u> </u>
Brown & Co.	1835 Market St	Philadelphia	PA	PHLAPAEC	MT Enterprise	60	,000,00
E*Trade	7400 Infantry Ridge	Managag	VA	XHAVLEMM	Financial Services	60	,000,00
Crowell & Moring, Dorsey & Whitmey, Bol'A,							
Regis, Carlide Grp (International)	1001 Pennsylvania Ave Nev	Washington	DC	WASHDCAO	MT Enterprise		,000.00
Ceridan	1617 John F Kennedy Blvd	Philadelphia	PA	PHILHPADC	MT Exerprise	60	,000.00
Legg Mason	100 Light Street	Bakimore	MD	BLTMMD38	Financial Services	58	,000.00
Lehman Brothers/Barclays	40 Corporate Place South	Piscataway	N)	PSWYNJ03	Finandal Services	57	,500.00
Thomas Welsel, GoldFarb, Gibson	1 Montgomery St	SAN FRANCISCO	CA	SNFCCACR	MT Encerprise	51	,000.00
Large Hospital	550 Peachtree St Ne	ATLANTA	GA	ATLNGAZH	Healthcare	48	,000.00
Hunt Petroleum	1601 Elm St	Dalas	XT	DULSTXBG	MT Enterprise	45	,000.00
Blackstone group	345 Park Ave	New York	ΝY	NYCMNYP	MT Excerprise	33	,285.00
Wachovia, Penthouse Int'l, Federated, Poduction	<del></del>		i i				
studios, BolA, Regus	11 Penn Pik	New York	MY	NYCMNYGN	MT Encerprise	24	,966.00
BOCA, IKON	1 Pen Pz	New York	NY	NYMPNY)Z	MT Enterprise	24	,966.00
Healthcare fadility	30055 Northwestern Hwy	Farmington Hills	М	FMHLMWU	MT Enterprise	24	,000.00
Dechert , Bechtel	6180 Greensboro Dr	Mc Lean	VA	MCLNVAAN	MT Enter prise	24	,000.00
Holland & Knight	633 W 5th St	Los Angeles	CA	LSANCAN]	MT Enterprise	22	,269.00
Sun Trust Plaza. Comen est O'Connor, Federal,			1			<u> </u>	ļ
Cypress	303 Peachtree St_NE	ATLANTA	GA	ATLNGA68	MT Enterprise	19	81400
Fortress Investment Grp., Alliance Capital	1345 Avenue Of The Americas	New York	Ж	NYCHNYAH	MT Enter prise		,000.00
total	!					740,	800.00

7. NYSTA's rent regime has a second negative impact on Level 3's ability to deliver telecommunications services. Specific to the NYSTA Backbone Network, the existing rent regime discourages Level 3 from requesting additional interconnection points to the NYSTA Backbone Network because the "rent" cost for such connections (based on NYSTA's past conduct) appears to be prohibitive. Furthermore, because the "rent" cost is an annual fee and is subject to escalation during the term, many network extension projects that would otherwise be pursued will not prove to be economically viable. In many instances, prudent network design to serve a new community, traffic aggregation point or end user buildings will require a minimum of two geographically diverse interconnection points to the Backbone Network. In those instances, it appears that NYSTA would require two separate Occupancy Permits, thus doubling the "rent" charges that NYSTA assesses for customer POP connections to its network.